

# SENATE BILL REPORT

## ESB 6525

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As Passed Senate, February 16, 2002

**Title:** An act relating to regulating single premium credit insurance.

**Brief Description:** Regulating single premium credit insurance.

**Sponsors:** Senators Prentice, Deccio, Keiser, Winsley, Franklin and Gardner; by request of Governor Locke, Insurance Commissioner and Attorney General.

**Brief History:**

**Committee Activity:** Labor, Commerce & Financial Institutions: 1/29/02, 1/31/02 [DP].  
Passed Senate: 2/16/02, 29-19.

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### SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Deccio, Fairley, Franklin, Gardner, Hochstatter, Honeyford, Rasmussen, Regala and Winsley.

**Staff:** Jack Brummel (786-7428)

**Background:** Single premium credit mortgage insurance is sold in one lump sum that is added to the overall amount financed in a mortgage. The borrower pays interest on the insurance premiums over time, resulting in significant increases in the total of payments. The National Association of Insurance Commissioners has recommended the prohibition of single premium credit insurance in connection with residential mortgage loans.

**Summary of Bill:** Insurers are prohibited from providing single premium credit insurance in connection with a residential mortgage loan, except when the loan amount is less than \$10,000, the payment term of the loan is less than five years, and the term of the credit insurance is less than the term of the loan. Credit insurance policies with monthly payments are allowed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Single credit mortgage insurance is predatory when the cost is added to the mortgage loan. It is used to target vulnerable people who wind up paying more. It can strip the equity in a home. Only 6 percent of the borrowers in the prime market use this product while 50 percent of subprime borrowers use it. Consumers should be protected against it.

**Testimony Against:** Credit insurance plays an important market role meeting needs not otherwise available to low-income borrowers. The insurance is voluntary.

**Testified:** PRO: Christine Gregoire, Attorney General; Mike Kreidler, Insurance Commissioner; Ahndrea Blue, Executive Policy Office; Melissa Huelsman; Gene Forrester, Senior Citizens Lobby; CON: Mel Sorensen, the Assurant Group; Lou Berg, Crown Finance; Tom Echols, Household Finance.